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SUBJECT: REACTION TO PRESIDENT MORI'S STATE OF THE NATION SPEECH  
INDICATIVE OF SLIPPING SUPPORT

REF: KOLONIA 47

CLASSIFIED BY: William Douglass, Deputy Chief of Mission,  
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REASON: 1.4 (b)

¶1. (SBU) Summary. In his second State of the Nation Address, Federated States of Micronesia (FSM) President Emanuel Mori identified many of the challenges that face his government. However, FSM national and state leaders criticized the President for not providing direction or guidance to resolve the issues he identified. The lukewarm reaction may indicate that the President's support continues to slip among congressional members. End summary.

¶2. (U) On May 14, FSM President Emanuel Mori gave his second State of the Nation Address before the National Congress (Mori became President in 2007). The President outlined many of the problems the country is facing. Mori noted that the FSM's average income has declined from \$1,934 per person in 2005 to \$1,832 in 2007. He indicated that social services remain underfunded; the FSM Health Insurance program continues to operate in deficit. Mori also noted that the FSM Trust Fund established under the Amended Compact lost \$22.8 million in ¶2008. Finally, the President stated that problems exist within the banking sector: consumer loans decreased by \$1.3 million and development bank loans decreased by \$1.5 million in the past year.

¶3. (U) However, Mori said that despite the impact of the global economic crisis his administration accomplished a great deal in the last two years. He took credit for obtaining \$144 million in infrastructure sector grants under the Amended Compact, funds that had not been used since 2004. That money will go to improve schools, roads, sewer systems, water systems, and health facilities. He also predicted that more than 1,000 new jobs will be created thanks to an additional \$8 million in new infrastructure grants procured by his administration. President Mori mentioned that new US Federal Aviation Administration Improvement Projects are under way in all four states, including the Japanese government's plans to lengthen the runway at Pohnpei International Airport. The President claimed these projects will increase the opportunities for tourism. The President also took credit for creating the FSM Petroleum Company and bringing lower fuel costs to the country. [NOTE: Fuel costs in the FSM are still significantly higher than those of their island neighbors. End note.)

¶4. (U) President Mori then listed the issues that require the government's attention, including:

-Downsizing the government, something that must be done in order to free up funds for priority programs;

-Develop the private sector to create jobs;

-Expand the two-year College of Micronesia to a four-year institution to improve educational services;

-Encourage the states of Chuuk and Kosrae to complete necessary budgetary reforms within the next year;

-Continue investment in affordable, renewable energy and develop a new national energy policy;

-Upon completion of the submarine fiber optic cable connection in March 2010, utilize the increased communications to bring additional economic opportunities to all four FSM states;

-Finalize the country's proposed tax reform and improve tax collection;

-Improve the foreign investment climate; and

-Increase cooperation between the four states and his government to implement the Micronesia Challenge, a regional initiative to conserve and protect the environment.

15. (U) In an aside, President Mori noted that the FSM has many development partners, but he especially wanted to thank the United States government for its support since the country gained independence in 1986. He also called for universal expressions of gratitude for the young FSM citizens currently serving in the United States armed forces. [NOTE: Both President Mori's daughter and Vice President Alik's son are

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serving the US military. End note.]

16. (U) In closing, President Mori reported that the FSM will soon meet with its US counterparts for the Amended Compact's five-year review. He expressed hope that this will be an opportunity to discuss improvements in the agreement.

17. (C) COMMENT: President Mori's address was not universally well-received. Many national and local leaders thought that while the speech spelled out many of the challenges the country is facing, it offered little in the way of solutions. Lt. Governor Johnny Elimo of the President's home state of Chuuk told Pol/Mil Assistant that President Mori did not provide any guidance or direction to the nation. Other government leaders, including Director of Yap State Civic Affairs Larry Raigetel and Chuuk State Attorney General Joses Gallen, said the same.

18. (C) More than likely, congressional representatives were predisposed to criticize the speech even before the President approached the podium. FSM Congress Senior Chief Clerk Liwiana Ramon confided that congressional members find it very difficult to work with President Mori. Ramon said that Speaker of the Congress Isaac Figir meets often with the President to find consensus on a number of pressing issues, but Mori then ignores those agreements in his subsequent actions. For example, Mori asked the Congress to approve amendments to the social security program. Congress passed the proposals, only to receive a letter from Mori stating that he will "wash his hands" of the bill and allow it to become law without his signature. (See reftel.) The President created the impression that he used the Congress to pass necessary but politically unpopular reforms

while running from the political fallout.

19. (SBU) Under the FSM political system, the President is not directly elected by popular vote. The Congress chooses the President from among its ranks. While Mori is eligible for another four-year term beginning in 2011, it appears more and more doubtful that he can maintain sufficient congressional support for a second term. End comment.  
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